

Denver Community School District

Independent Auditor's Reports
Basic Financial Statements
And Supplementary Information
Schedule of Findings

June 30, 2011

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Denver Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

Craig Lohmann	President	2013
Kerri Wilson	Vice President	2011
Carter Stevens	Board Member	2011
Ken Kuennen	Board Member	2013
Dale Schneider	Board Member	2011

School Officials

Kathryn A. Enslin	Superintendent	2011
Susan Steege	District Secretary/Treasurer	2011
Rick Engle	Attorney	2011

Independent Auditor's Report

To the Board of Education of
Denver Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Denver Community School District, Denver, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

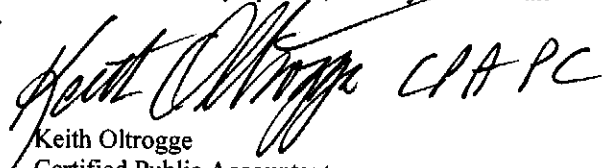
I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Denver Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated February 22, 2012 on my consideration of Denver Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 36 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Denver Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

 CPA PC
Keith Oltrogge
Certified Public Accountant

February 22, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Denver Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,407,151 in fiscal 2010 to \$7,070,480 in fiscal 2011, while General Fund expenditures increased from \$6,235,376 in fiscal 2010 to \$6,364,388 in fiscal 2011. The District's General Fund balance increased from \$666,748 in fiscal 2010 to \$1,384,439 in fiscal 2011, a 107% increase.
- The increase in General Fund revenues was attributable to an increase in local and state revenue in fiscal 2011. The increase in expenditures was due primarily to an increase in supportive services costs.
- An increase in the District's General Fund balance resulted in the District's solvency ratio increasing from 9.0% in 2010 to 19.4% in fiscal 2011. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Denver Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Denver Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Denver Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Denver Community School District Annual Financial Report

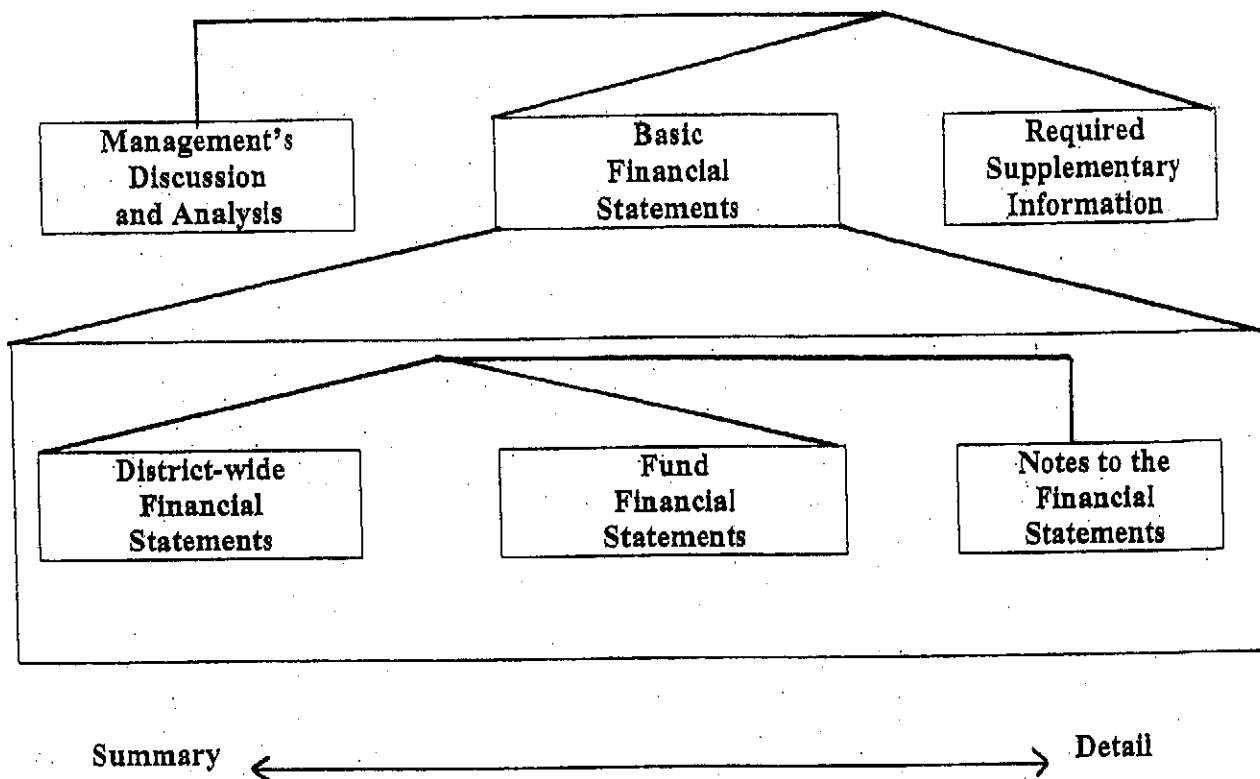


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets	Balance sheet	Statement of net assets	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of revenues, expenses and changes in fund net assets	Statement of changes in fiduciary net assets
			Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current and other assets	\$8,508,874	\$5,681,568	\$86,905	\$87,920	\$8,595,779	\$5,769,488	48.1%
Capital assets	7,486,566	5,147,657	31,823	25,252	7,518,389	5,172,909	45.3%
Total assets	\$15,995,440	\$10,829,225	\$118,728	\$113,172	\$16,114,168	\$10,942,397	47.3%
Long-term liabilities	\$3,383,979	\$1,534,000	\$5,482	\$-	\$3,389,461	\$1,534,000	120.9%
Other liabilities	5,648,118	3,261,457	-	6,516	5,648,118	3,267,973	72.8%
Total liabilities	\$9,032,097	\$4,795,457	\$5,482	\$6,516	\$9,037,579	\$4,801,973	88.2%
Net assets:							
Invested in capital assets, net of related debt	\$2,111,566	\$3,777,657	\$31,823	\$25,252	\$2,143,389	\$3,802,909	-43.6%
Restricted	3,886,835	1,832,943	-	-	3,886,835	1,832,943	112.1%
Unrestricted	964,942	423,168	81,423	81,404	1,046,365	504,572	107.4%
Total net assets	\$6,963,343	\$6,033,768	\$113,246	\$106,656	\$7,076,589	\$6,140,424	15.2%

The District's combined net assets increased by nearly 15.2%, or approximately \$936,000, over the prior year. The largest portion of the District's net assets is in the restricted net assets due to the increase in restricted net assets in the Capital Project Funds.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$2,054,000, or 112.1% over the prior year. The increase was primarily due to the issuance of the revenue bond proceeds of \$4,320,000 for the elementary K-2 building addition.

Unrestricted net assets – The part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased approximately \$542,000, or 107%. The increase was due to the General Fund revenues exceeding the expenditures for the year.

Figure A-4 shows the change in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4
Changes in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	2011	2010	2011	2010	2011	2010	2010-2011
Revenues:							
Program revenues:							
Charges for service	\$700,303	\$636,825	\$218,841	\$211,365	\$919,144	\$848,190	8.4%
Operating grants, contributions and restricted interest	1,156,236	1,317,146	98,756	88,490	1,254,992	1,405,636	-10.7%
Capital grants, contributions and restricted interest	-	-	-	-	-	-	-
General revenues:							
Property tax	2,674,377	2,431,515	-	-	2,674,377	2,431,515	10.0%
Statewide sales, service and use tax	501,776	542,466	-	-	501,776	542,466	-7.5%
Unrestricted state grants	2,957,082	2,578,389	-	-	2,957,082	2,578,389	14.7%
Unrestricted investment earnings	36,897	43,363	551	159	37,448	43,522	-14.0%
Other	173,359	154,048	-	-	173,359	154,048	12.5%
Total revenues	\$8,200,030	\$7,703,752	\$318,148	\$300,014	\$8,518,178	\$8,003,766	6.4%
Program expenses:							
Governmental activities:							
Instruction	\$4,741,302	\$4,787,518	\$-	\$-	\$4,741,302	\$4,787,518	-1.0%
Support services	2,006,250	1,933,938	-	-	2,006,250	1,933,938	3.7%
Non-instructional programs	-	-	311,558	292,011	311,558	292,011	6.7%
Other expenses	534,502	446,357	-	-	534,502	446,357	19.7%
Total expenses	\$7,282,054	\$7,167,813	\$311,558	\$292,011	\$7,593,612	\$7,459,824	1.8%
Change in net assets	\$917,976	\$535,939	\$6,590	\$8,003	\$924,566	\$543,942	70.0%

In fiscal year 2011, property tax and unrestricted state grants account for 66% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for 99.8% of business type activities revenue.

The District's total revenues were approximately \$8.5 million, of which approximately \$8.2 million was for governmental activities and less than \$0.3 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.4% increase in revenues and a 1.8% increase in expenses. Property tax increased approximately \$243,000. The increase in expenses is related to an increase in other expenses.

Governmental Activities

Revenues for governmental activities were \$8,200,030 and expenses were \$7,282,054 for the year ended June 30, 2011. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-2011	2011	2010	Change 2010-2011
Instruction	\$4,741,302	\$4,787,518	-1.0%	\$2,920,343	\$2,865,716	1.9%
Support services	2,006,250	1,933,938	3.7%	1,970,670	1,901,769	3.6%
Non-instructional programs	-	-	-	-	-	-
Other expenses	534,502	446,357	19.7%	534,502	446,357	19.7%
Totals	\$7,282,054	\$7,167,813	1.6%	\$5,425,515	\$5,213,842	4.1%

During the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$919,144.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,254,992.
- The net cost of governmental activities was financed with \$3,176,153 in property and other taxes and \$2,957,082 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$318,148 and expenses were \$311,558. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Denver Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$5,138,541, significantly above last year's ending fund balance of \$2,433,487. However, the primary reason for the increase in combined fund balances at the end of fiscal year 2011 is due to \$4,320,000 of unexpended revenue bond proceeds received during the fiscal year.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. The increase in revenues was more than by the District's increase in General Fund expenditures.
- The General Fund balance increased from \$666,748 to \$1,384,439, due in part to the decrease in instruction, expenditures and the increase in local and state revenue.
- The Debt Service Fund balance increased from \$21,664 in fiscal 2010 to \$325,029 in fiscal 2011, due in part to the increase in the operating transfer from the Capital Projects Fund.
- The Capital Projects Fund balance increased during fiscal 2011. The District ended fiscal 2010 with a restated balance of \$1,494,905. Fiscal 2011 ended with a balance of \$3,219,988, due to \$4,320,000 of unexpended revenue bond proceeds.

Proprietary Fund Highlights

- School Nutrition Fund net assets increased from \$106,656 at June 30, 2010 to \$113,246 at June 30, 2011, representing an increase of approximately 6.2%.

BUDGETARY HIGHLIGHTS

The District's receipts were \$98,714 less than budgeted receipts, a variance of 1.1%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

The Districts total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$7.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 45.3% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$343,616.

The original cost of the District's capital assets was \$13.3 million. Governmental funds account for \$13.25 million, with the remainder of \$0.05 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in process category. The increase is for the elementary K-2 building addition.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$211,600	\$211,600	\$-	\$-	\$211,600	\$211,600	-
Construction in process	2,473,116	276,918	-	-	2,473,116	276,918	793.1%
Buildings	3,818,946	3,836,159	-	-	3,818,946	3,836,159	-0.5%
Improvements other than buildings	416,125	433,743	-	-	416,125	433,743	-4.1%
Furniture and equipment	566,779	389,237	31,823	25,252	598,602	414,489	44.4%
Totals	\$7,486,566	\$5,147,657	\$31,823	\$25,252	\$7,518,389	\$5,172,909	45.3%

Long-Term Debt

At June 30, 2011, the District had \$5,375,000 in general obligation and other long-term debt outstanding. This represents an increase of approximately 292.3% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$15.2 million.

In September 2010, the District issued \$4,320,000 in statewide sales, services and use tax revenue bonds for the elementary K-2 building addition.

Figure A-7
Outstanding Long-term Obligations

	Total District		Total Change
	June 30,		June 30,
	2011	2010	2010-2011
General obligation bonds	\$1,270,000	\$1,370,000	-7.3%
Revenue bonds	4,105,000	-	100%
	\$5,375,000	\$1,370,000	292.3%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was unaware of existing circumstances that could significantly affect its financial health in the future, except for the following:

- The District is anticipating increasing enrollment due to a new housing development in progress within the District. Enrollment increased 7 students from 2010 to 2011. This will result in increased state funding.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kathryn Enslin, Superintendent, Denver Community School District, 520 Lincoln Street, Denver IA 50622.

Basic Financial Statements

Denver Community School District

Statement of Net Assets

June 30, 2011

	Govern- mental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 5,723,488	\$ 81,208	\$ 5,804,696
Receivables:			
Property tax:			
Delinquent	16,724	-	16,724
Succeeding year	2,422,959	-	2,422,959
Accounts	33,876	133	34,009
Due from other governments	311,827	-	311,827
Inventories	-	5,564	5,564
Capital assets, net of accumulated depreciation	7,486,566	31,823	7,518,389
Total Assets	\$ 15,995,440	\$ 118,728	\$ 16,114,168
Liabilities			
Accounts payable	\$ 355,228	\$ -	\$ 355,228
Salaries and benefits payable	401,465	-	401,465
Accrued interest payable	13,646	-	13,646
Deferred revenue-succeeding year property tax	2,422,959	-	2,422,959
Deferred revenue-other	182,593	5,482	188,075
Due to other governments	8,088	-	8,088
Long-term liabilities:			
Portion due within one year:			
Early retirement	10,000	-	10,000
Revenue bonds payable	180,000	-	180,000
General obligation bonds payable	110,000	-	110,000
Portion due after one year:			
Early retirement	10,000	-	10,000
Revenue bonds payable	3,925,000	-	3,925,000
General obligation bonds payable	1,160,000	-	1,160,000
Net OPEB liability	253,118	-	253,118
Total Liabilities	\$ 9,032,097	\$ 5,482	\$ 9,037,579
Net Assets			
Invested in capital assets, net of related debt	\$ 2,111,566	\$ 31,823	\$ 2,143,389
Restricted for:			
Categorical funding	152,733	-	152,733
Management levy purposes	46,905	-	46,905
Physical plant and equipment	334,699	-	334,699
Student activities	142,180	-	142,180
Debt service	325,029	-	325,029
Capital projects	2,885,289	-	2,885,289
Unrestricted	964,942	81,423	1,046,365
Total Net Assets	\$ 6,963,343	\$ 113,246	\$ 7,076,589

See notes to financial statements.

Denver Community School District

Statement of Activities

Year Ended June 30, 2011

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	\$ 3,275,465	\$ 374,782	\$ 1,049,937	\$ -
Special instruction	787,264	-	75,445	-
Other instruction	678,573	295,788	25,007	-
	<u>\$ 4,741,302</u>	<u>\$ 670,570</u>	<u>\$ 1,150,389</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 121,967	\$ -	\$ 4,856	\$ -
Instructional staff services	255,312	-	-	-
Administration services	723,021	-	-	-
Operation and maintenance of plant services	675,271	-	-	-
Transportation services	230,679	29,733	991	-
	<u>\$ 2,006,250</u>	<u>\$ 29,733</u>	<u>\$ 5,847</u>	<u>\$ -</u>
Other Expenditures:				
Facilities acquisition	\$ 29,587	\$ -	\$ -	\$ -
Long-term debt interest	192,904	-	-	-
AEA flow-through	312,011	-	-	-
	<u>\$ 534,502</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Activities	<u>\$ 7,282,054</u>	<u>\$ 700,303</u>	<u>\$ 1,156,236</u>	<u>\$ -</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 311,558	\$ 218,841	\$ 98,756	\$ -
Total	<u>\$ 7,593,612</u>	<u>\$ 919,144</u>	<u>\$ 1,254,992</u>	<u>\$ -</u>

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities		Business Type Activities		Total
\$	-1,850,746	\$	-	\$ -1,850,746
	-711,819		-	-711,819
	-357,778		-	-357,778
\$	-2,920,343	\$	-	\$ -2,920,343
<hr/>				
\$	-117,111	\$	-	\$ -117,111
	-255,312		-	-255,312
	-723,021		-	-723,021
	-675,271		-	-675,271
	-199,955		-	-199,955
\$	-1,970,670	\$	-	\$ -1,970,670
<hr/>				
\$	-29,587	\$	-	\$ -29,587
	-192,904		-	-192,904
	-312,011		-	-312,011
\$	-534,502	\$	-	\$ -534,502
<hr/>				
\$	-5,425,515	\$	-	\$ -5,425,515
<hr/>				
\$	-	\$	6,039	\$ 6,039
<hr/>				
\$	-5,425,515	\$	6,039	\$ -5,419,476

Denver Community School District

Statement of Activities

Year Ended June 30, 2011

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses			

General Revenues:

Property Tax Levied For:

General purposes

Capital outlay

Statewide sales, services and use tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total General Revenues

Change in net assets

Net assets beginning of year

Prior Period Adjustment

Adjusted Net assets beginning of year

Net Assets End of Year

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities		Business Type Activities		Total
\$	2,513,573	\$	-	\$ 2,513,573
	160,804		-	160,804
	501,776		-	501,776
	2,957,082		-	2,957,082
	36,897		551	37,448
	173,359		-	173,359
\$	6,343,491	\$	551	\$ 6,344,042
\$	917,976	\$	6,590	\$ 924,566
\$	6,033,768	\$	106,656	\$ 6,140,424
	11,599		-	11,599
\$	6,045,367	\$	106,656	\$ 6,152,023
\$	6,963,343	\$	113,246	\$ 7,076,589

Denver Community School District

Balance Sheet
Governmental Funds

June 30, 2011

	General	Capital Projects	Debt Service	Non-major	Total
Assets					
Cash and Pooled Investments	\$ 1,796,909	\$ 3,718,335	\$ 29	\$ 208,215	\$ 5,723,488
Receivables:					
Property Tax:					
Delinquent	14,784	1,070	-	870	16,724
Succeeding year	2,009,571	166,970	146,418	100,000	2,422,959
Accounts	29,463	4,413	-	-	33,876
Due from other governments	209,567	102,260	-	-	311,827
Due from other funds	360	-	325,000	-	325,360
Total Assets	\$ 4,060,654	\$ 3,993,048	\$ 471,447	\$ 309,085	\$ 8,834,234
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 74,498	\$ 280,730	\$ -	\$ -	\$ 355,228
Salaries and benefits payable	401,465	-	-	-	401,465
Deferred Revenue:					
Succeeding year property tax	2,009,571	166,970	146,418	100,000	2,422,959
Other	182,593	-	-	-	182,593
Due to other governments	8,088	-	-	-	8,088
Due to other funds	-	325,360	-	-	325,360
Total Liabilities	\$ 2,676,215	\$ 773,060	\$ 146,418	\$ 100,000	\$ 3,695,693
Fund Balances:					
Restricted for:					
Categorical funding	\$ 152,733	\$ -	\$ -	\$ -	\$ 152,733
Debt service	-	-	325,029	-	325,029
Management levy purposes	-	-	-	66,905	66,905
Student activities	-	-	-	142,180	142,180
School infrastructure	-	2,885,289	-	-	2,885,289
Physical plant and equipment	-	334,699	-	-	334,699
Unassigned	1,231,706	-	-	-	1,231,706
Total Fund Balance	\$ 1,384,439	\$ 3,219,988	\$ 325,029	\$ 209,085	\$ 5,138,541
Total Liabilities and Fund Balances	\$ 4,060,654	\$ 3,993,048	\$ 471,447	\$ 309,085	\$ 8,834,234

See notes to financial statements.

Denver Community School District

Reconciliation of the Balance Sheet – Governmental Funds
To the Statement of Net Assets

June 30, 2011

Total fund balances of governmental funds (page 16)	\$ 5,138,541
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	7,486,566
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-13,646
Long-term liabilities, including bonds, notes payable, early retirement and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported in the government funds	<u>-5,648,118</u>
Net assets of governmental activities (page 13)	<u>\$ 6,963,343</u>

Denver Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2011

	General	Capital Projects	Debt Service	Non-major	Total
Revenues:					
Local Sources:					
Local tax	\$ 2,383,297	\$ 662,580	\$ -	\$ 130,276	\$ 3,176,153
Tuition	352,120	-	-	-	352,120
Other	221,962	23,728	69	303,662	549,421
Intermediate sources	-	-	-	-	-
State sources	3,771,207	120	-	97	3,771,424
Federal sources	341,894	-	-	-	341,894
Total Revenues	\$ 7,070,480	\$ 686,428	\$ 69	\$ 434,035	\$ 8,191,012
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 2,922,627	\$ -	\$ -	\$ 42,969	\$ 2,965,596
Special instruction	789,115	-	-	-	789,115
Other instruction	381,314	-	-	276,219	657,533
	\$ 4,093,056	\$ -	\$ -	\$ 319,188	\$ 4,412,244
Support Services:					
Student services	\$ 119,042	\$ -	\$ -	\$ -	\$ 119,042
Instructional staff services	456,147	-	-	-	456,147
Administration services	704,527	-	-	-	704,527
Operation and maintenance of plant services	493,410	-	-	155,932	649,342
Transportation services	186,195	-	-	-	186,195
	\$ 1,959,321	\$ -	\$ -	\$ 155,932	\$ 2,115,253
Other Expenditures:					
Facilities acquisition	\$ -	\$ 2,479,433	\$ -	\$ -	\$ 2,479,433
Long-Term Debt:					
Principal	-	-	315,000	-	315,000
Interest and fiscal charges	-	56,341	136,293	-	192,634
AEA flow-through	312,011	-	-	-	312,011
	\$ 312,011	\$ 2,535,774	\$ 451,293	\$ -	\$ 3,299,078
Total Expenditures	\$ 6,364,388	\$ 2,535,774	\$ 451,293	\$ 475,120	\$ 9,826,575
Excess (deficiency) of revenues over (under) expenditures	\$ 706,092	\$ -1,849,346	\$ -451,224	\$ -41,085	\$ -1,635,563
Other financing sources (uses):					
Revenue bond proceeds and premium	\$ -	\$ 4,329,018	\$ -	\$ -	\$ 4,329,018
Operating transfers in (out)	-	-754,589	754,589	-	-
Total other financing sources (uses)	\$ -	\$ 3,574,429	\$ 754,589	\$ -	\$ 4,329,018
Net change in fund balances	\$ 706,092	\$ 1,725,083	\$ 303,365	\$ -41,085	\$ 2,693,455
Fund balances beginning of year, as restated	\$ 666,748	\$ 1,494,905	\$ 21,664	\$ 250,170	\$ 2,433,487
Prior period adjustment	11,599	-	-	-	11,599
Adjusted beginning fund balances, as restated	\$ 678,347	\$ 1,494,905	\$ 21,664	\$ 250,170	\$ 2,445,086
Fund Balances End of Year	\$ 1,384,439	\$ 3,219,988	\$ 325,029	\$ 209,085	\$ 5,138,541

See notes to financial statements.

Denver Community School District

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
To the Statement of Activities**

Year Ended June 30, 2011

Net change in fund balances – total governmental funds (page 18) **\$ 2,693,455**

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 2,677,907	
Depreciation expense	-338,998	2,338,909

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	\$ -4,320,000	
Repaid	315,000	-4,005,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	\$ 20,000	
Other postemployment benefits	-129,118	-109,118

Change in Net Assets of Governmental Activities (page 15) **\$ 917,976**

Denver Community School District

Statement of Net Assets
Proprietary Fund

June 30, 2011

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 81,208
Accounts receivable	133
Inventories	5,564
Capital assets, net of accumulated depreciation	31,823
Total Assets	<u>\$ 118,728</u>
Liabilities	
Deferred revenue – other	<u>\$ 5,482</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 31,823
Unrestricted	81,423
Total Net Assets	<u>\$ 113,246</u>

See notes to financial statements.

Denver Community School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
Year Ended June 30, 2011

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 218,841
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 95,053
Benefits	13,633
Purchased services	1,212
Supplies	193,357
Depreciation	4,618
Miscellaneous	3,685
Total operating expenses	\$ 311,558
Operating loss	\$ -92,717
Non-operating revenues:	
State sources	\$ 3,359
Federal sources	95,397
Interest income	551
Total non-operating revenues	\$ 99,307
Change in net assets	\$ 6,590
Net assets beginning of year	106,656
Net Assets End of Year	\$ 113,246

See notes to financial statements.

Denver Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2011

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 219,047
Cash paid to employees for services	-108,686
Cash paid to suppliers for goods or services	-175,724
Net cash used by operating activities	<u>\$ -65,363</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 3,359
Federal grants received	71,728
Net cash provided by non-capital financing activities	<u>\$ 75,087</u>
Cash flow from capital and related financing activities:	
Acquisition of capital assets	<u>\$ -11,189</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 551</u>
Net decrease in cash and cash equivalents	\$ -914
Cash and cash equivalents beginning of year	<u>82,122</u>
Cash and Cash Equivalents End of Year	<u>\$ 81,208</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ -92,717
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	23,669
Depreciation	4,618
Decrease in inventories	100
Decrease in accounts receivable	2
Increase in deferred revenue	203
(Decrease) in accounts payable	-1,238
Net Cash Used by Operating Activities	<u>\$ -65,363</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$23,669 of federal commodities.

Denver Community School District

Statement of Net Assets
Fiduciary Fund

June 30, 2011

	Private Purpose Trust <u>Scholarship</u>
Assets	
Cash and pooled investments	\$ 326,478
Total assets	<u>\$ 326,478</u>
Liabilities	
Accounts payable	\$ -
Total liabilities	<u>\$ -</u>
Net Assets	
Reserved for scholarships	<u>\$ 326,478</u>

See notes to financial statements.

Denver Community School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2011

	Private Purpose Trust <u>Scholarship</u>
Additions:	
Local sources:	
Interest income	\$ 4,100
Deductions:	
Support services:	
Scholarships awarded	\$ 25,089
Change in net assets	\$ -20,989
Net assets beginning of year	<u>347,467</u>
Net Assets End of Year	<u>\$ 326,478</u>

See notes to financial statements.

Denver Community School District

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

Denver Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Denver, Iowa and portions of the predominately agricultural territories in Bremer and Black Hawk Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Denver Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Denver Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Bremer County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds, which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditures toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable classifications.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio as follows:

	<u>Amortized Cost</u>
Total	<u>\$2,956,803</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

(3) **Interfund Transfers**

The detail of Interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$754,589</u>

Transfers generally move revenues from the fund statutorily to collect the resources to the fund statutorily required to expend the resources.

(4) **Capital Assets**

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 211,600	\$ -	\$ -	\$ 211,600
Construction in process	276,918	2,473,116	276,918	2,473,116
Total capital assets not being depreciated	\$ 488,518	\$ 2,473,116	\$ 276,918	\$ 2,684,716
Capital assets being depreciated:				
Buildings	\$ 5,848,194	\$ 101,204	\$ -	\$ 5,949,398
Improvements other than buildings	615,940	13,390	-	629,330
Furniture and equipment	3,649,530	367,115	-	4,016,645
Total capital assets being depreciated	\$ 10,113,664	\$ 481,709	\$ -	\$ 10,595,373
Less accumulated depreciation for:				
Buildings	\$ 2,012,035	\$ 118,417	\$ -	\$ 2,130,452
Improvements other than buildings	182,197	31,008	-	213,205
Furniture and equipment	3,260,293	189,573	-	3,449,866
Total accumulated depreciation	\$ 5,454,525	\$ 338,998	\$ -	\$ 5,793,523
Total capital assets being depreciated, net	\$ 4,659,139	\$ 142,711	\$ -	\$ 4,801,850
Governmental Activities Capital Assets, Net	\$ 5,147,657	\$ 2,615,827	\$ 276,918	\$ 7,486,566

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Business type activities:				
Furniture and equipment	\$ 46,428	\$ 11,189	\$ 2,198	\$ 55,419
Less accumulated depreciation	21,176	4,618	2,198	23,596
Business Type Activities Capital Assets, Net	\$ 25,252	\$ 6,571	\$ -	\$ 31,823

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular

\$ 227,826

Other

50,893

Support services:

Administration

943

Operation and maintenance of plant

14,852

Transportation

44,484

Total Depreciation Expense – Governmental Activities

\$ 338,998

Business Type Activities:

Food service operations

\$ 4,618

(5) **Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
General obligation bonds	\$ 1,370,000	\$ -	\$ 100,000	\$ 1,270,000	\$ 110,000
Early retirement	40,000	20,000	40,000	20,000	10,000
Net OPEB liability	124,000	129,118	-	253,118	-
Revenue bonds	-	4,320,000	215,000	4,105,000	180,000
Total	\$ 1,534,000	\$ 4,469,118	\$ 355,000	\$ 5,648,118	\$ 300,000

Early Retirement

The District offers a voluntary early retirement plan to its licensed employees. Eligible employees must be at least age fifty-five and must have completed eighteen years of full-time service to the District. Employees must complete an application, which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is \$20,000 to be paid over a two year period.

General Obligation Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Series 2010

Refunding Bond Issue of February 10, 2010				
Year Ending June 30,	Interest Rate	Principal	Interest	Total
2012	1.40%	\$ 110,000	\$ 35,618	\$ 145,618
2013	1.70%	115,000	34,077	149,077
2014	2.10%	115,000	32,123	147,123
2015	2.40%	120,000	29,707	149,707
2016	2.70%	125,000	26,828	151,828
2017	3.00%	130,000	23,452	153,452
2018	3.20%	130,000	19,553	149,553
2019	3.40%	135,000	15,393	150,393
2020	3.60%	145,000	10,802	155,802
2021	3.85%	145,000	5,582	150,582
Total		\$ 1,270,000	\$ 233,135	\$ 1,503,135

Revenue Bonds

Series 2010

Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Bond Issue of September 15, 2010				
Year Ending June 30,	Interest Rate	Principal	Interest	Total
2012	1.00%	\$ 180,000	\$ 128,135	\$ 308,135
2013	1.25%	180,000	126,335	306,335
2014	1.50%	185,000	124,085	309,085
2015	1.80%	190,000	121,310	311,310
2016	2.10%	190,000	117,890	307,890
2017	2.40%	195,000	113,900	308,900
2018	2.70%	200,000	109,220	309,220
2019	3.00%	205,000	103,820	308,820
2020	3.20%	215,000	97,670	312,670
2021	3.35%	225,000	90,790	315,790
2022	3.50%	230,000	83,252	313,252
2023	3.60%	240,000	75,203	315,203
2024	3.70%	250,000	66,562	316,562
2025	3.85%	260,000	57,313	317,313
2026	4.00%	270,000	47,302	317,302
2027	4.05%	285,000	36,503	321,503
2028	4.10%	295,000	24,960	319,960
2029	4.15%	310,000	12,865	322,865
Total		\$ 4,105,000	\$ 1,537,115	\$ 5,642,115

The District has pledged future statewide sales, services and use tax revenues to repay the \$4,320,000 of bonds issued in September 2011. The bonds were issued for the purpose of financing the construction of the addition to the school building. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable thru 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require 100% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$5,642,115. For the current year, \$215,000 principal and \$86,570 in interest was paid on the bonds and total statewide sales, services and use tax revenues were \$501,776.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- \$325,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

During the year ended June 30, 2011, the District made principal, interest and fee payments totaling \$451,293.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered payroll for the years ended June 30, 2011, 2010 and 2009. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$233,954, \$239,118, and \$220,884, respectively, equal to the required contributions for each year.

(7) Other Postemployment Benefits (OPEB)

Plan description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 55 active members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligations:

Annual required contribution	\$	135,000
Interest on net OPEB obligation		4,960
Adjustment to annual required contribution		-4,842
Annual OPEB cost	\$	135,118
Contributions made		-6,000
Increase in net OPEB obligation	\$	129,118
Net OPEB obligation beginning of year		124,000
Net OPEB obligation end of year	\$	253,118

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$411,085 to the medical plan. Plan members eligible for benefits contributed \$30,165, or 6.8% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$135,000	8.14%	\$124,000
June 30, 2011	\$135,118	4.4%	\$253,118

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$794,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$794,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,671,115 and the ratio of the UAAL to covered payroll was 29.7%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$654 per month for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(8) Risk Management

Denver Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$312,011 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Construction Commitment

At June 30, 2011 the District has \$2,473,116 in construction in process in design and consulting fees for an elementary K-2 building addition which is in process. The project was completed at the beginning of the school year.

(11) Subsequent Events

The District has evaluated subsequent events through February 22, 2012 which is the date that the financial statement were available to be issued.

(12) Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

Program	Amount
Dropout Prevention	\$ 43,380
Talented and Gifted	49,915
Teacher Salary Supplement	44,202
Core Curriculum	11,437
Professional Development	3,466
Non Public Transportation	333
Total	<u>\$ 152,733</u>

(13) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 1,198,879	\$ 296,026
Change in fund type classification per implementation of GASB Statement No. 54	296,026	-296,026
Balances July 1, 2010, as restated	<u>\$ 1,494,905</u>	<u>\$ -</u>

Required Supplementary Information

Denver Community School District

**Budgetary Comparison Schedule of Revenue, Expenditures/Expenses and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Fund**

Required Supplementary Information

Year Ended June 30, 2011

	Governmental Funds Actual	Proprietary Fund Actual
Receipts:		
Local sources	\$ 4,077,694	\$ 219,392
Intermediate sources	-	-
State sources	3,771,424	3,359
Federal sources	341,894	95,397
Total Receipts	\$ 8,191,012	\$ 318,148
Disbursements:		
Instruction	\$ 4,412,244	\$ -
Support services	2,115,253	-
Non-instructional programs	-	311,558
Other expenditures	3,299,078	-
Total Disbursements	\$ 9,826,575	\$ 311,558
Excess (deficiency) of revenue over (under) expenditures/expense	\$ -1,635,563	\$ 6,590
Other financing sources, net	4,329,018	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	\$ 2,693,455	\$ 6,590
Balances beginning of year	\$ 2,433,487	\$ 106,656
Prior period adjustment	11,599	-
Adjusted balances beginning of year	\$ 2,445,086	\$ 106,656
Balances End of Year	\$ 5,138,541	\$ 113,246

See accompanying independent auditor's report.

	Total Actual		Budgeted Amount		Final To Actual Variance
\$	4,297,086	\$	4,312,188	\$	-15,102
	-		-		-
	3,774,783		4,034,686		-259,903
	437,291		261,000		176,291
\$	8,509,160	\$	8,607,874	\$	-98,714
\$	4,412,244	\$	5,900,771	\$	1,488,527
	2,115,253		2,020,000		-95,253
	311,558		459,153		147,595
	3,299,078		6,575,441		3,276,363
\$	10,138,133	\$	14,955,365	\$	4,817,232
\$	-1,628,973	\$	-6,347,491	\$	4,718,518
	4,329,018		4,000,000		329,018
\$	2,700,045	\$	-2,347,491	\$	5,047,536
\$	2,540,143	\$	2,490,841	\$	49,302
	11,599		-		11,599
\$	2,551,742	\$	2,490,841	\$	60,901
\$	5,251,787	\$	143,350	\$	5,108,437

Denver Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2011, expenditures in the support services function exceeded the amount budgeted.

Denver Community School District

**Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)**

Required Supplementary Information

June 30, 2011

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$-	\$794	\$794	0.0%	\$3,092	25.7%
2011	July 1, 2009	\$-	\$794	\$794	0.0%	\$2,671	29.7%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Other Supplementary Information

Denver Community School District

Combining Balance Sheet
Non-Major Funds

June 30, 2011

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 66,035	\$ 142,180	\$ 208,215
Receivables:			
Property Tax:			
Delinquent	870	-	870
Succeeding year	100,000	-	100,000
Total Assets	\$ 166,905	\$ 142,180	\$ 309,085
Liabilities & Fund Balances			
Liabilities:			
Deferred Revenue:			
Succeeding year property tax	\$ 100,000	\$ -	\$ 100,000
Total liabilities	\$ 100,000	\$ -	\$ 100,000
Fund Balances:			
Restricted for:			
Management levy purposes	\$ 66,905	\$ -	\$ 66,905
Student activities	-	142,180	142,180
Total fund balances	\$ 66,905	\$ 142,180	\$ 209,085
Total Liabilities & Fund Balances	\$ 166,905	\$ 142,180	\$ 309,085

See accompanying independent auditor's report.

Denver Community School District
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Funds

Year Ended June 30, 2011

	<u>Special Revenue</u>		
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Total</u>
Revenues:			
Local Sources:			
Local tax	\$ 130,276	\$ -	\$ 130,276
Other	7,826	295,836	303,662
State sources	97	-	97
Total Revenues	<u>\$ 138,199</u>	<u>\$ 295,836</u>	<u>\$ 434,035</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ 42,969	\$ -	\$ 42,969
Other instruction	-	276,219	276,219
Support Services:			
Operation and maintenance of plant services	155,932	-	155,932
Total Expenditures	<u>\$ 198,901</u>	<u>\$ 276,219</u>	<u>\$ 475,120</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -60,702	\$ 19,617	\$ -41,085
Fund balances beginning of year, as restated	<u>127,607</u>	<u>122,563</u>	<u>250,170</u>
Fund Balances End of Year	<u>\$ 66,905</u>	<u>\$ 142,180</u>	<u>\$ 209,085</u>

See accompanying independent auditor's report.

Denver Community School District

Combining Balance Sheet
Capital Project Accounts

June 30, 2011

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects Fund	Total
Assets				
Cash and pooled investments	\$ 1,354,075	\$ 337,116	\$ 2,027,144	\$ 3,718,335
Receivables:				
Property Tax:				
Delinquent	-	1,070	-	1,070
Succeeding year	-	166,970	-	166,970
Accounts	-	-	4,413	4,413
Due from other governments	102,260	-	-	102,260
Total Assets	\$ 1,415,633	\$ 505,156	\$ 2,031,557	\$ 3,993,048
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 3,487	\$ 277,243	\$ 280,730
Due to other funds	360	-	325,000	325,360
Deferred revenue:				
Succeeding year property tax	-	166,970	-	166,970
Total Liabilities	\$ 360	\$ 170,457	\$ 602,243	\$ 773,060
Fund Balances:				
Restricted for:				
School infrastructure	\$ 1,455,975	\$ -	\$ 1,429,314	\$ 2,885,289
Physical plant and equipment	-	334,699	-	334,699
Total fund balances	\$ 1,455,975	\$ 334,699	\$ 1,429,314	\$ 3,219,988
Total Liabilities and Fund Balances	\$ 1,456,335	\$ 505,156	\$ 2,031,557	\$ 3,993,048

See accompanying independent auditor's report.

Denver Community School District
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Capital Project Accounts

Year Ended June 30, 2011

	Capital Projects			
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Other Capital Projects Fund	Total
Revenues:				
Local Sources:				
Local tax	\$ 501,776	\$ 160,804	\$ -	\$ 662,580
Other	13,807	1,154	8,767	23,728
State sources	-	120	-	120
Total Revenues	\$ 515,583	\$ 162,078	\$ 8,767	\$ 686,428
Expenditures:				
Other Expenditures:				
Facilities acquisition	\$ 84,113	\$ 123,405	\$ 2,271,915	\$ 2,479,433
Debt fees and discount	-	-	56,341	56,341
Total Expenditures	\$ 84,113	\$ 123,405	\$ 2,328,256	\$ 2,535,774
Excess (deficiency) of revenues over (under) expenditures	\$ 431,470	\$ 38,673	\$ -2,319,489	\$ -1,849,346
Other Financing Sources (Uses):				
Revenue bonds issued	\$ -	\$ -	\$ 4,329,018	\$ 4,329,018
Operating transfers in (out), net	-174,374	-	-580,215	-754,589
Total other financing sources (uses)	\$ -174,374	\$ -	\$ 3,748,803	\$ 3,574,429
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ 257,096	\$ 38,673	\$ 1,429,314	\$ 1,725,083
Fund balances beginning of year, as restated	1,198,879	296,026	-	1,494,905
Fund Balances End of Year	\$ 1,455,975	\$ 334,699	\$ 1,429,314	\$ 3,219,988

See accompanying independent auditor's report.

Denver Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2011

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra-fund Transfers	Balance End of Year
Shop resale	\$ 1,569	\$ 4,146	\$ 4,876	\$ -	\$ 839
Resale-High School	1,689	1,618	1,002	-	2,305
Resale-Art	3,844	325	656	-	3,513
Resale-Middle School	9,623	5,467	6,755	-	8,335
Resale-Elementary	12,461	19,718	16,908	-	15,271
Class of 2010	894	14,906	13,701	1	2,100
Class of 2011	2,772	-	898	-	1,874
Class of 2012	2,603	3,583	5,563	-1	622
Class of 2013	1,195	960	-	-	2,155
Class of 2014	-	720	-	-	720
Class of 2015	-	2,100	-	-	2,100
Elementary Fundraising	14,233	27,700	34,918	-1	7,014
High School book rent clearing	1,645	54,388	55,898	-	135
Elementary music resale	385	-	-	-	385
Elementary School book rent clearing	-	7,554	7,554	-	-
Boys' basketball	3,399	6,627	4,913	-	5,113
Girls' basketball	2,564	6,783	5,270	-	4,077
Football	630	19,271	15,607	-	4,294
Baseball	1,698	12,716	12,582	1	1,833
Track	3,761	9,623	9,927	-	3,457
Softball	63	4,893	4,707	-	249
Wrestling	1,730	7,846	5,689	-	3,887
Middle School Student Council	581	71	-	-71	581
Athletic	1,600	9,616	2,826	45	8,435
Cheerleaders	217	1,654	1,647	-	224
Golf	12	1,197	884	-	325
Volleyball	1,334	10,145	8,517	-1	2,961
Soccer	3,604	8,609	7,603	-45	4,565
Drama and Speech	1,347	2,208	1,984	-	1,571
Library	663	2,758	2,788	-1	632
FFA-Farming Fund	5,028	536	-	-	5,564
Elementary Book Fair	3,208	7,223	7,301	-	3,130
Foods resale	122	3,705	3,790	-	37
Chemistry resale	2,833	4,067	5,161	-	1,739
Student Council	3,883	2,042	2,501	1	3,425
Band Trip	2,297	3,827	2,226	-	3,898
Weightlifting Club	206	16	222	-	-
Bowling	1,272	255	220	-	1,307
Athletic Passes	2,975	7,260	2,749	-	7,486
Elementary Student Council	83	-	-	71	154

Denver Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2011

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra-fund Transfers	Balance End of Year
Annual	\$ 12,943	\$ 11,559	\$ 12,139	\$ -	\$ 12,363
Variety Show	3,491	-	356	-	3,135
Vocal-miscellaneous	295	1,805	1,485	-	615
Instrumental-resale	33	5,755	4,012	-1	1,775
Faculty-pop	1,323	179	87	1	1,416
Elementary-pop	131	56	-	-	187
FFA	6,316	302	250	-	6,368
Spanish Club	8	-	-	1	9
Interest on investments	-	47	47	-	-
Total	\$ 122,563	\$ 295,836	\$ 276,219	\$ -	\$ 142,180

See accompanying independent auditor's report.

Denver Community School District

**Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds**

For the Last Eight Years

	Modified Accrual Basis			
	2011	2010	2009	2008
Revenues:				
Local Sources:				
Local tax	\$ 3,176,153	\$ 2,973,981	\$ 2,836,746	\$ 2,742,036
Tuition	352,120	288,515	319,980	302,552
Other	549,421	544,806	547,095	618,348
Intermediate sources	-	-	-	-
State sources	3,771,424	3,311,250	3,703,472	3,407,490
Federal sources	341,894	584,285	102,092	112,564
Total	<u>\$ 8,191,012</u>	<u>\$ 7,702,837</u>	<u>\$ 7,509,385</u>	<u>\$ 7,182,990</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 2,965,596	\$ 2,996,552	\$ 3,107,861	\$ 2,842,539
Special instruction	789,115	727,725	779,266	544,017
Other instruction	657,533	694,245	577,790	592,176
Support services:				
Student services	119,042	159,973	196,920	188,491
Instructional staff services	456,147	363,170	303,097	417,825
Administrative services	704,527	765,183	757,126	767,571
Operation and maintenance of plant services	649,342	537,463	612,537	541,190
Transportation services	186,195	155,917	132,004	159,182
Central support	-	-	-	-
Other expenditures:				
Facilities acquisition	2,479,433	371,742	133,195	167,991
Long-term debt:				
Principal	315,000	1,655,000	175,000	165,000
Interest and other charges	192,634	93,581	82,537	88,560
AEA flow-through	312,011	312,042	259,671	234,836
Total	<u>\$ 9,826,575</u>	<u>\$ 8,832,593</u>	<u>\$ 7,117,004</u>	<u>\$ 6,709,378</u>

Modified Accrual Basis			
2007	2006	2005	2004
\$ 2,638,013	\$ 2,479,070	\$ 2,312,518	\$ 2,241,025
256,412	247,457	235,216	198,142
496,796	391,681	401,736	473,627
-	-	-	-
3,232,168	3,015,176	2,900,896	2,780,478
111,071	104,002	127,944	95,905
<u>\$ 6,734,460</u>	<u>\$ 6,237,386</u>	<u>\$ 5,978,310</u>	<u>5,789,177</u>

\$ 2,650,020	\$ 2,627,832	\$ 2,584,094	\$ 2,330,395
594,378	520,020	589,854	552,746
474,420	462,179	432,110	417,883
153,884	155,666	131,146	101,108
229,246	225,114	180,569	175,904
751,016	671,170	824,229	677,200
619,722	528,619	542,440	423,467
157,240	143,171	153,815	214,464
-	-	-	61,000
122,091	489,904	816,730	860,706
155,000	150,000	145,000	135,000
93,830	98,480	102,168	105,505
215,089	202,498	198,578	198,928
<u>\$ 6,215,936</u>	<u>\$ 6,274,653</u>	<u>\$ 6,700,733</u>	<u>6,254,306</u>

See accompanying independent auditor's report.

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of
Denver Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Denver Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated February 22, 2012. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Denver Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Denver Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Denver Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control over financial reporting I consider to be material weaknesses and other deficiencies I consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-11 to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-11 to be a significant deficiency.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether Denver Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Denver Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit Denver Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Denver Community School District and other parties to whom Denver Community School District may report, including federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Denver Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Keith Oltrogge
Certified Public Accountant

February 22, 2012

Denver Community School District

Schedule of Findings

Year Ended June 30, 2011

Part I – Findings Related to the General Purpose Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

- I-A-11 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation – I realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

- I-B-11 Annual Financial Statements – The ability to apply generally accepted accounting principles to the financial statements and determine the sufficiency of the footnote disclosure is a necessary aspect of internal control over the District's financial reporting process. The District does not possess an individual with the appropriate expertise to apply generally accepted accounting principles to the financial statements and to draft and determine the sufficiency of the necessary disclosures. The District has a limited number of employees and it is not cost beneficial to employ an individual with this type of expertise and knowledge. The internal financial statements prepared by the District are not prepared in accordance with generally accepted accounting principles and do not contain the required footnote disclosures.

Recommendation – This is a common control deficiency of most small districts and is often not corrected due to cost benefit considerations. I could assist you in gaining the necessary knowledge and skills if you determine that this is a control deficiency that the District would like to address.

Response – We will consult with you as needed on financial statement considerations.

Conclusions – Response accepted.

Denver Community School District

Schedule of Findings

Year Ended June 30, 2011

Part II - Other Findings Related to Statutory Reporting:

- II-A-11 Certified Budget – Expenditures for the year ended June 30, 2011 exceeded the certified budget amounts in the support services function.
- Recommended – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.
- Conclusion – Response accepted.
- II-B-11 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-11 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-10 Business Transactions – No business transactions between the District and District officials or employees were noted.
- II-E-10 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- II-F-11 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-11 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-H-11 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-J-11 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely.

Denver Community School District

Schedule of Findings

Year Ended June 30, 2011

Part II - Other Findings Related to Statutory Reporting (continued):

II-K-11 Student Activity Fund – The Student Activity Fund includes accounts which should have been reclassified by a residual equity transfer in prior years in order for the fund to conform to U.S. generally accepted accounting principles in accordance with Chapter 257.31(4) of the Code of Iowa. These accounts include the Pop Accounts, Book Rent Accounts and Resale Accounts.

Recommendation – The Student Activity Fund accounts should be reviewed. Accounts not meeting the criteria for co-curricular and extra-curricular activities in accordance with Chapter 298A.8 of the Code of Iowa should be closed to the General Fund or Enterprise Fund, as appropriate. Accounts used as temporary clearing accounts should be closed at the end of each fiscal year.

Response – These accounts are being phased out. These accounts will be re-allocated or spent on activity items in the future until expended fully.

Conclusion – Response accepted.

II-L-11 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation – The District should obtain and retain an image of both the front and back of each cancelled check as required.

Response – The District will obtain and retain images of both the front and back of cancelled checks as required. The District can go on line at any time and see/print the back side of any check.

Conclusion – Response accepted.

II-M-11 Categorical Funding – No instances were noted of categorical funding being used to supplant rather the supplement other funds.

According to proposed administrative rules, “Categorical funding shall not be commingled with other funding. School districts shall use a project code and program code as defined by Uniform Financial Accounting.” I noted that during the year some categorical funding expenditures were commingled with other General Fund expenditures, then were reclassified as categorical spending at the end of the year.

Recommendation – All categorical funding expenditures should be posted to the correct expenditure account as the expenditures are incurred.

Response – We have revised our procedures for identifying categorical expenditures so that they will be coded to the correct expenditure accounts as incurred.

Conclusion – Response accepted.

Denver Community School District

Schedule of Findings

Year Ended June 30, 2011

Part II - Other Findings Related to Statutory Reporting (continued):

- II-N-11 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	1,198,879
Revenues/transfers in:			
Sales tax revenues	\$	446,971	
Other local revenues		13,807	
School infrastructure supplemental amount		54,805	
Transfers from other funds		255,015	770,598
			<u>\$ 1,969,477</u>
Expenditures/transfer out:			
School infrastructure construction	\$	84,113	
Transfers to other funds:			
Debt service fund		429,389	513,502
			<u>\$ 1,455,975</u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
Debt service levy	\$ 2.7683	\$ 501,776
Physical plant and equipment levy	-	-
Public educational and recreational levy	-	-